

U.S. Consumer-Oriented Products Hit the Mark with German Consumers

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The world's fourth largest economy may not be growing by leaps and bounds at the moment, but Germany's demand for consumer-oriented foods helps keep its total food and beverage market at \$164 billion a year, the EU's (European Union) biggest marketplace.

At \$20.4 billion in calendar year 2002, consumer-ready food imports accounted for 65 percent of the value of Germany's total agricultural imports. U.S. trade statistics reported consumer-oriented food exports to Germany of \$297 million in 2002. However, official German government statistics have upped that amount to \$381 million due to transshipments through Benelux ports.

Times Are Changing

Certain trends help explain why Germany's 82.4 million population has become a top target for valued-added items:

- The population is aging and relatively affluent.
- The numbers of wage-earning women (who prefer convenience) and single-person households (with more money) are increasing.
- The large immigrant population has introduced traditional cuisines and appealing new tastes.
- The German penchant for international travel has whetted an appetite for ethnic products back home.
- Germans have also shown tendencies to



buy more "natural" and organically produced items—diets are including more low-fat meat and dairy products, fruits, vegetables, functional foods and juices—and to decrease alcohol consumption.

Certain economic factors are also shaping Germany's food marketplace. They may affect when and how you sell your product:

- The German economy has been relatively slow since the mid-1990s.
- In the former East Germany, personal incomes lag and unemployment rates are high compared to the rest of Germany.
- Recent strengthening of the euro is expected to have a positive impact on U.S. exports to Germany in 2003.

Basics Go Cheap, Specialties High

Slow growth in food and beverage sales has led to fierce competition among retailers, encouraging buyouts and consolidation.

Other results of this competition have been basic food products priced for mar-

ginal profits or below cost, while premium and specialty items carry higher prices. But their increased costs have not dimmed demand, providing opportunities for U.S. suppliers.

Lending a Hand

Retailers seldom import directly from outside the EU, so most imports are handled by import agents or brokers who tend to specialize in certain products. Finding the right import partner is fundamental to success in the German market.

Since German importers bear legal liability for imported products marketed in Germany, they have a strong interest in working with suppliers to ensure that all import and marketing requirements are met.

Keen competition for shelf space coupled with the lowest retail price margins in Europe require strong support for new products from suppliers. U.S. exporters who want to develop this market must be prepared to assist German importers with promotions, especially for new-to-market products. To assure an easy market entry:

- Start with smaller shipments; your broker can consolidate shipments and arrange nationwide distribution.
- Comply with German and EU regulations.
- Budget time and money to market products nationally; in-store promotions, ads and exhibits at trade and consumer fairs tend to be preferred methods.

With import restrictions and food law requirements limiting the range of products from non-EU countries, large promotional campaigns typically concentrate on products not available in the EU. Also be aware that introducing a new product will require some 12-18 months to test for market acceptance.

Due to shipping costs, duties and other expenses associated with imports, U.S. products become relatively high-priced items and therefore may be sold only in limited quantities.

Once a U.S. processed food product is sold in large enough quantities, production is often relocated to an EU site, thereby reducing product cost, in particular shipping and special packaging costs.

Production is often contracted with local producers, either as a subsidiary or through a licensing arrangement. The Tex-Mex segment has taken advantage of this production venue, with many of its products now being produced in Germany and other European countries.

Who Are the Competitors?

Well over half of Germany's \$34 billion worth of annual food and agricultural imports comes from France, the Netherlands and Italy. Top consumer-oriented items from these countries include meat and dairy products, fresh and processed fruits and vegetables, other

What To Expect in the Competitive German Marketplace

Advantages	Challenges
Germany is among the world's largest food and beverage importers.	Import tariffs on certain products are high, with EU enlargement giving preferential access to current and future members.
Organic, specialty and private label products are popular.	German buyers demand quality at low prices; discounters are the fastest growing segment of the retail market.
Many established importers provide a developed distribution system.	Retailers seldom import products on their own.
U.S.-style products appeal to affluent, younger consumers.	Retailers often charge high listing fees.
Immigrant populations and travel abroad have broadened demand for a greater variety of ethnic foods.	Profit margins on retail foods are thin.



processed foods, wines, flowers and other nursery products.

German expenditures for non-EU food imports exceeded \$11 billion in 2002 and included many consumer-oriented products from countries other than the United States.

These suppliers are located in Eastern Europe, the Mediterranean, Latin America, the Caribbean and South Africa. Non-EU imports tend to be products not available in the EU due to climate or season. Major imports from these countries include fresh and processed fruits and vegetables, spices and coffee.

Regulations and Labeling

All imported foods must comply with German and EU regulations for ingredients, packaging and labeling, as well as with applicable veterinary or phytosanitary requirements. No official agency is responsible for food label registration, but private food laboratories do provide registration services.

All imported food and beverage products must be labeled in German and contain the following information:

- Measurements in metric

Best Bets for U.S. Suppliers

Specialty items unavailable in the EU have good sales potential. These could encompass delicatessen and snack foods, novelty products, prepared meals or food products unique to the United States, spices, dried vegetables, wild rice, health foods, nutritional and functional foods and nutritional supplements. Specific categories include:

- **Ethnic.** Tex-Mex and other ethnic products, particularly prepared and convenience items.
- **Organics.** Snacks and convenience foods. Germany is Europe's largest organic food market, with retail sales of \$3 billion in 2002.
- **Tree nuts.** Used mostly as ingredients—

almonds, walnuts, hazelnuts, pecans, pistachios, as well as peanuts and confectionery-quality sunflowerseeds.

- **Dried fruits.** Found mostly in breakfast cereals and baked goods, also popular as snacks.
- **Wines.** This largest importer of wines appreciates New World vintages. Imports (valued at \$170 million in 2002) account for half of domestic consumption.
- **Unique or out-of-season fruits and vegetables.** Green asparagus, grapefruit, pears and certain soft fruits and berries. Popular juices include orange, grapefruit, cranberry and prune.
- **Fish.** Lobster and Alaskan pollock
- **Pet food and related items.**

- Ingredients and additives
- Shelf-life date
- Name and address of manufacturer or importer within the EU

Special labeling requirements exist for nutritional value, vitamin-enriched and dietetic foods, along with mandatory and voluntary standard container sizes for specific products. Imports with extra requirements:

- Most additives (except for a short list of

general-use items), colorings and artificial sweeteners are approved only for specific use. The only allowed irradiated foods are dried aromatic herbs, spices and vegetable seasonings.

- U.S. meat, poultry and seafood products can be imported only from EU-approved plants. The EU still bans beef produced with growth-promoting hormones.
- A USDA phytosanitary certificate must accompany U.S. fresh fruits and vegetables and unprocessed nuts. ■

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